



[Docket No. FR-6366-N-01]

Request for Information Regarding Rehabilitation Mortgages

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, Department of Housing and Urban Development, HUD.

ACTION: Request for information.

SUMMARY: Through this Request for Information (RFI), the Federal Housing Administration (FHA) seeks public input regarding barriers to the use of the FHA 203(k) Rehabilitation Mortgage Insurance Program (203(k) Program) by lenders and consumers. Information provided in response to this RFI will allow FHA to identify barriers that limit the origination of 203(k) insured mortgages and lender participation in the program and consider opportunities to enhance the 203(k) Program to support HUD's goal of increasing the available supply of affordable housing in underserved communities.

DATES: Comments are requested on or before **[INSERT DATE SIXTY DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**. Late-filed comments will be considered to the extent practicable.

ADDRESSES: Interested persons are invited to submit comments responsive to this RFI. Copies of all comments submitted are available for inspection and downloading at www.regulations.gov.

To receive consideration as public comments, comments must be submitted through one of the two methods specified below. All submissions must refer to the above docket number and title. Commenters are encouraged to identify the number of the specific question or questions to which they are responding. Responses should include the name(s) of the person(s) or organization(s) filing the comment; however, because any responses received by HUD will be publicly available, responses should not include any personally identifiable information or confidential commercial information.

1. Electronic Submission of Comments. Interested persons may submit comments electronically through the Federal eRulemaking Portal at <http://www.regulations.gov>.

HUD strongly encourages commenters to submit their feedback and recommendations electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a response, ensures timely receipt by HUD, and enables HUD to make comments immediately available to the public. Comments submitted electronically through the <http://www.regulations.gov> website can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

2. Submission of Comments by Mail. Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW, Room 10276, Washington, DC 20410-0500.

Public Inspection of Public Comments. All comments and communications properly submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at (202) 708-3055 (this is not a toll-free number). HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit: <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>. Copies of all comments submitted are available for inspection and downloading at <http://www.regulations.gov>.

FOR FURTHER INFORMATION CONTACT: Elissa Saunders, Director, Office of Single Family Program Development, Department of Housing and Urban Development, 451 7th Street SW, Room 9266, Washington, DC 20410-0500; telephone number 202-402-2378 (this is not a toll-free number). HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more

about how to make an accessible telephone call, please visit:

<https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

SUPPLEMENTARY INFORMATION:

I. Background

The Department of Housing and Urban Development (HUD) is committed to the advancement of its mission¹ objectives to facilitate the provision of safe, affordable, and equitable housing for American households and communities.² A component of HUD’s 2022-2026 Strategic Plan³ is the integration of “the customer perspective into everything the Department does to make its interactions feel easy, effective, positive, and equitable.” The plan also seeks to “Increase the Supply of Housing”⁴ ensuring all households have access to quality, affordable homes, and use any resources available to strengthen the national housing supply and preserve existing housing. Removing barriers to HUD programs and enhancing HUD programs, such as the FHA 203(k) Program, can help support HUD’s goal of increasing the available supply of affordable housing in underserved communities.

The 203(k) Program is used to finance the rehabilitation of an existing one-to-four unit structure⁵ that will be used primarily for residential purposes. Mortgages insured through the 203(k) Program can be used to rehabilitate an eligible structure and refinance outstanding indebtedness on the structure and the real property on which it is located; purchase and rehabilitate a structure and purchase the real Property on which the structure is located; or rehabilitate the interior space of an eligible Condominium Unit excluding areas that are the responsibility of a Condominium Association.

¹ HUD Mission at <https://www.hud.gov/about/mission>.

² One of FHA’s statutory operational goals for the Mutual Mortgage Insurance Fund is to “to meet the housing needs of the borrowers that the single family mortgage insurance program ... is designed to serve.” 12 U.S.C. 1708(a)(7).

³ FY2022-2026 HUD Strategic Plan at <https://www.hud.gov/sites/dfiles/CFO/documents/FY2022-2026HUDStrategicPlan.pdf>.

⁴ *Id.*

⁵ This type of structure refers to a building that has a roof and walls, stands permanently in one place, and contains single or multiple housing units that are used for human habitation.

The 203(k) Program is an important tool for community and neighborhood revitalization and the expansion of homeownership opportunities for owner-occupant homebuyers.

There are two types of 203(k) Rehabilitation Mortgages: Standard 203(k) Mortgage and the Limited 203(k) Mortgage. The Standard 203(k) Mortgage Insurance Program may be used for remodeling and major repairs, has a minimum repair cost of \$5,000, and requires the use of a 203(k) Consultant. The Limited 203(k) Mortgage Insurance Program is used for minor remodeling and non-structural repairs, has a maximum repair cost of \$35,000, except for properties located in Qualified Opportunity Zones⁶ (QOZs) where the maximum repair cost is \$50,000, and does not require the use of a 203(k) Consultant.

A 203(k) Mortgage may also be used in conjunction with any of FHA's energy efficient programs including the Energy Efficient Mortgages (EEM), Weatherization, and Solar and Wind Technologies programs to finance the costs of energy efficient improvements to an existing Property at the time of purchase or refinance, or to upgrade such energy efficient improvements to exceed the established residential building code for New Construction.

II. Purpose of this Request for Information

The purpose of this RFI is to solicit information regarding barriers to the origination of mortgages under the FHA 203(k) Program and to obtain feedback on ways FHA could improve its policies and programs to expand the preservation, renovation, and expansion of housing through its rehabilitation mortgage programs and policies.

III. Specific Information Requested

HUD welcomes all comments relevant to expanding the 203(k) Program. HUD is particularly interested in receiving input from interested parties on the questions below.

1. What information can you provide regarding ways in which the FHA 203(k) Program does or does not meet the needs of borrowers seeking to renovate or rehabilitate their homes?

⁶ QOZ only applies to the first 15,000 Mortgages per calendar year from 2019 to 2028. See HUD Handbook 4000.1, Section II.A.8.(a)(i)(A)(2).

2. What policies or processes governing the 203(k) Program could be streamlined, modified, or eliminated to enhance your experience with the 203(k) Program?
3. How could FHA increase participation in the 203(k) Program?
4. The Standard 203(k) Program relies on a 203(k) Consultant to determine if a property meets the requirements of the program. What changes would you recommend to FHA's 203(k) Consultant requirements to enhance the program while ensuring a subject property would, after improvements, meet FHA's Minimum Property Requirements (MPR) or Minimum Property Standards (MPS)?
5. What methods would you recommend HUD use to increase stakeholders' awareness about FHA's 203(k) Program?
6. Supporting local authorities' efforts to preserve and expand single-family housing is an important goal of HUD's strategic plan. Please describe how HUD could better support local authorities' efforts to increase the stock of available and affordable single family housing using the 203(k) Program, especially in underserved communities. What role could the program play in improving the supply of available housing in underserved communities?
7. How can the 203(k) Program or other energy efficiency programs (Weatherization, Solar and Wind Technologies , and FHA's EEM) better align with existing federal, state, or local energy efficiency programs?
8. What state or local regulations impact the use of FHA's 203(k) Program?
9. The 203(k) Program parameters limit the types of eligible properties and improvements. Please describe any rehabilitation needs not served or underserved due to the existing program requirements and how could the 203(k) Program be enhanced to address those needs.
10. The 203(k) Program is currently underutilized by nonprofits and governmental entities. What type of changes would encourage more nonprofits and governmental entities to increase their participation in the program?

11. What are the benefits or drawbacks to re-opening the 203(k) Program to other parties that acquire and rehabilitate distressed single-family properties in underserved communities?
12. What technology solutions could improve the availability of, or facilitate, the 203(k) Program?
13. Currently, HUD-approved housing counseling agencies provide advice about FHA-insured loans to potential and current homeowners. Should housing counseling agencies play a more significant role in educating consumers about the FHA 203(k) program?
14. What are the advantages and disadvantages of the 203(k) Program compared to other sources of rehabilitation financing? Are there changes to the program you recommend in light of these?
15. Are there any requirements of the 203(k) program that might restrict utilization by any underserved groups of borrowers and what changes could HUD make to the program to encourage more utilization by these groups?

Julia R. Gordon,
*Assistant Secretary for Housing -
FHA Commissioner.*

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